

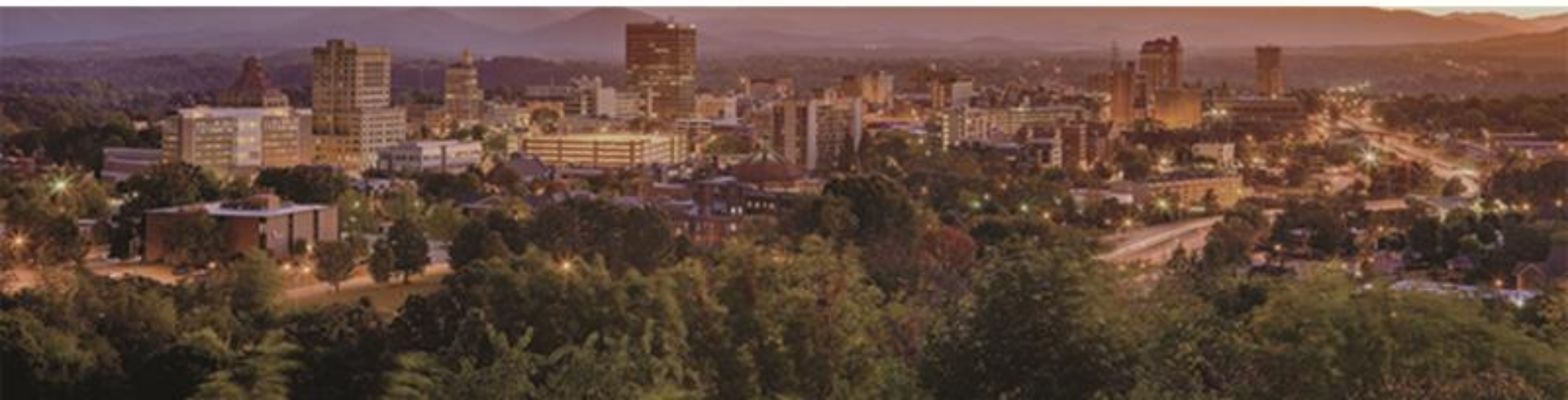


Continuation Reviews - Division of Air Quality

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Topics

- **Division of Air Quality Overview**
- **Division of Air Quality Funding Overview**
- **“Water and Air Quality Account”**
 - Fuel Tax Revenue
 - Recommendations
- **“Inspection and Maintenance Program Fees”**
 - I&M Fees
 - Recommendations



Division of Air Quality **MISSION**

- **The Division of Air Quality (DAQ) works with the state's citizens to protect and improve outdoor, or ambient, air quality in North Carolina for the health, benefit and economic well-being of all.**

Core Program Areas:

- **Monitoring**
- **Planning**
- **Permitting**
- **Compliance**



Air Quality in North Carolina

- ✓ **Air Quality has Improved**
 - Meeting all national standards
- ✓ **Data Quality and Completeness**
- ✓ **Compliance Rates High**
 - Clear defensible permits
 - Inspections
- ✓ **Workload related to federal requirements has increased and is very complex. Highly skilled staff are critical to success.**



Division of Air Quality **OVERVIEW**

- **Implements the federal Clean Air Act programs in NC**
- **Carries out state air quality statutes and rules**
 - 222 full-time positions
- **SFY 15-16 projected annual revenue:
\$20,583,494**



Division of Air Quality **FUNDING OVERVIEW**

- **Receipts and Grants Supported**
- **Fuel Tax (Air Quality Account)** – most flexible revenue stream
- **Clean Air Act Title V Permit Fees**
 - Largest Industrial Facilities Subject to Fees
 - Clean Air Act requires the Title V program to be funded by fees
- **Minor Source Permitting Fees**
 - Fees cover the permitting and compliance activities



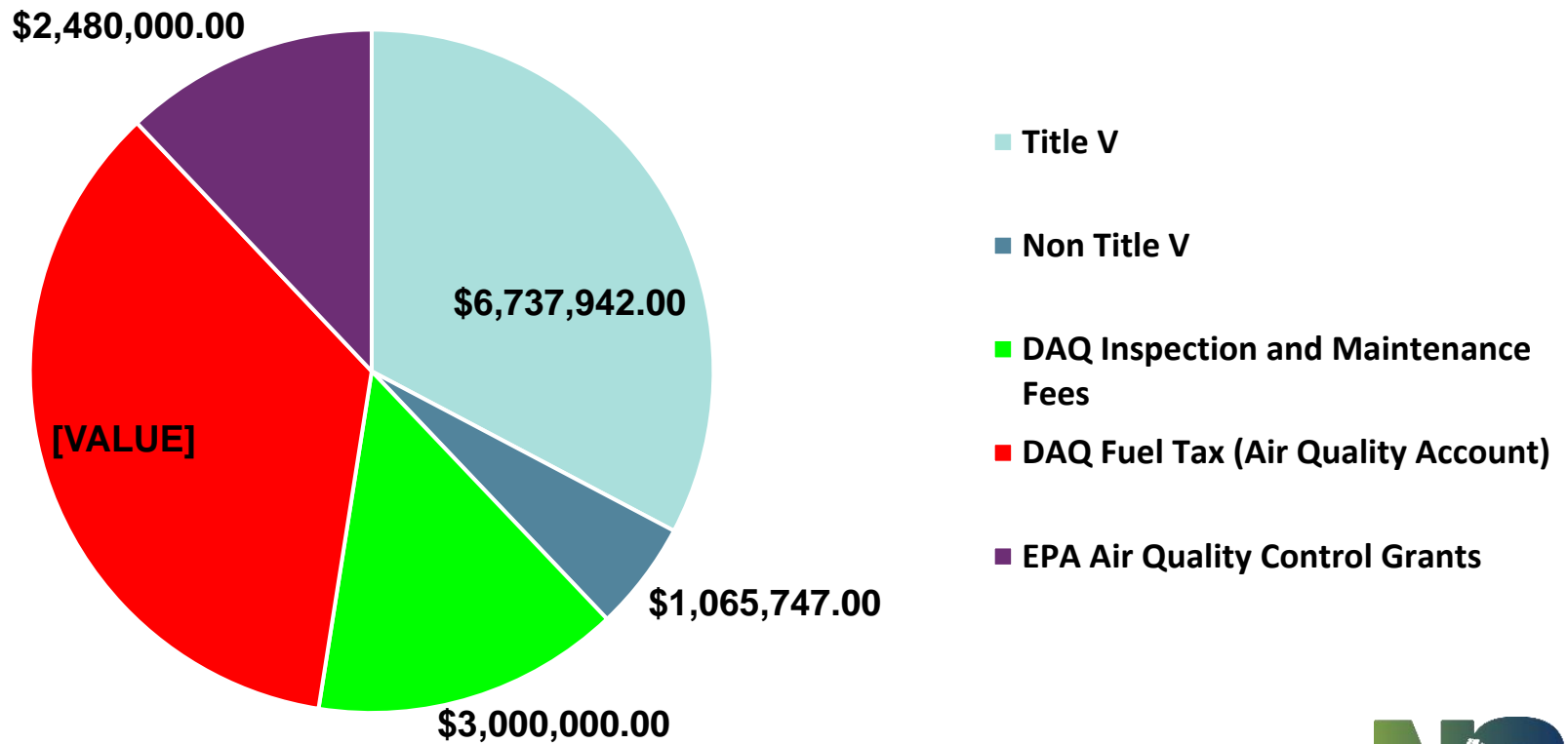
Division of Air Quality **FUNDING OVERVIEW**

- **Vehicle Inspection and Maintenance (I&M) Fees**
 - Purpose of revenue is to implement an air quality control program for mobile sources
- **Federal Grants:**
 - **Clean Air Act Section 105 Grant for core air quality program implementation**
 - Requires 40% match by state funds
 - Requires a maintenance of effort
 - **Clean Air Act Section 103 for monitoring**



FY 2015-2016 ~ \$20.5 Million

DAQ Revenue Sources



Fuel Tax Revenue **BACKGROUND**

- This motor fuel tax allocation was established based on the 1992 recommendations of the N.C. Clean Air Act Advisory Council (established by Section 12 of S.L. 1991-552) to implement the State's air quality programs as required by the 1990 Federal Clean Air Act amendments.
- ***Action was based on the desire to establish an equitable cost distribution to the sources of air pollution (both stationary and mobile sources) based on their relative contribution to total emission levels.***
- Since the mobile sources represent a significant portion of NC's air pollution, businesses and industries required to obtain stationary source air permits supported the allocation of a portion of the fuel tax to the DAQ.

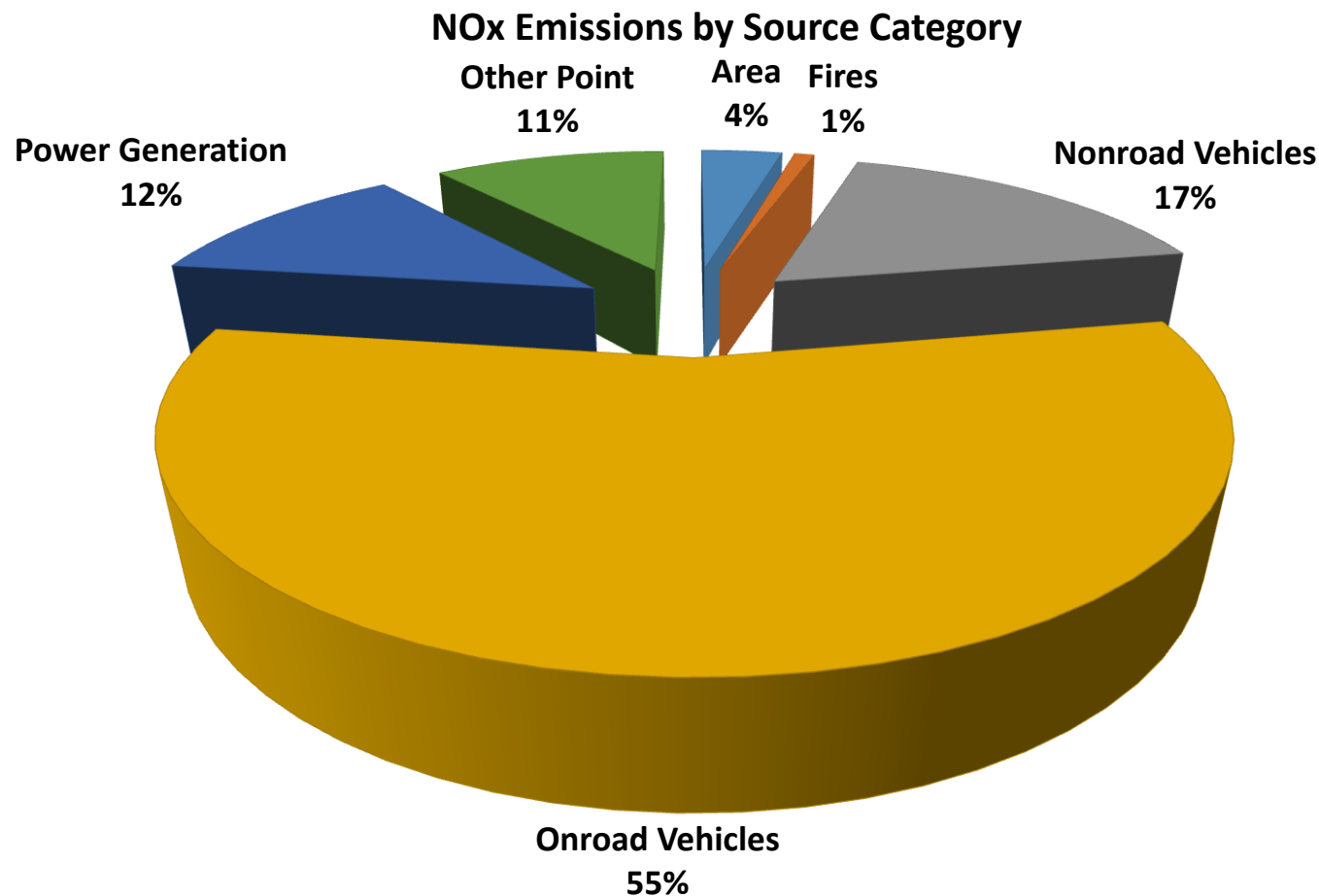


Fuel Tax Revenue **BACKGROUND**

- The Division of Air Quality Water and Air Quality Account established in G.S. 143-215.3A(a) is credited a portion of the state motor fuel tax revenue as G.S. 105-449.43, G.S. 105-449.125, and G.S. 105-449.136.
- Allocating a portion of this revenue stream to *“administer the air quality program”* was originally established in S.L. 1993-400 in G.S. 105-445, and then moved in S.L. 1995-390 to G.S. 105-449.125.
 - Established that the account shall receive 5/16 of the ½ cent per gallon motor fuel excise tax.



North Carolina Nitrogen Oxides (NOx) Emissions



Fuel Tax Revenues

- ~95% revenues go toward staff salary
- Supports 82.35 FTE across the Division in all program areas
- Provides the match and a majority of the maintenance of effort requirements for the Clean Air Act Section 105 grant

Fuel Tax RECOMMENDATIONS

- The 2015 Appropriations Act (S.L. 2015-241) capped the fuel tax funding to the Division in SFY 2015-2016 at \$7,299,805.
 - That amount is approximately \$1,000,000 (12 percent) lower than the expected revenue that would have been provided by applying the statutory formula (5/16 of the ½ cent per gallon motor fuel excise tax).
- ***DAQ recommends continuing the fuel tax funding to the Division at the SFY 2015-2016 fixed level of \$7,299,805, or defining an alternative equivalent funding source in order to have an adequate air quality program in North Carolina.***
 - The current SFY funding level represents a value 12 percent below the expected revenue that would be provided by the statutory formula.



Inspection & Maintenance Air Pollution Control Account **OVERVIEW**

- The DAQ Inspection and Maintenance (I&M) Air Pollution Control Account is funded by the \$0.65 per vehicle emissions inspection fee it receives under the vehicle emissions I&M Program.
- G.S. §143-215.3A (b1) established the Inspection and Maintenance Air Pollution Control Account.
- “The I&M Air Pollution Control Account is established as a non-reverting Account within the Department. Fees transferred to the Division of Air Quality of the Department pursuant to G.S. §20-183.7(c) shall be credited to the I&M Air Pollution Control Account and shall be applied to the costs of developing and implementing an air pollution control program for mobile sources.”



Inspection & Maintenance Air Pollution Control Account **OVERVIEW**

- **DAQ funds 13.75 FTEs performing the following functions:**
 - Administrative activities
 - Ambient monitoring for pollutants attributed to mobile sources
 - Planning activities related to mobile source emission estimates
 - Compliance activities related to mobile sources including technical support for the vehicle emissions I&M program



Inspection & Maintenance Air Pollution Control Account **RECOMMENDATIONS**

- ***DAQ has recommended changes to the vehicle emissions I&M program to the General Assembly in 2012, 2015 and 2016.***
 - These recommendations come from a robust technical analysis of the air quality benefits of the vehicle emissions I&M program.

Recommendations Include:

- **Removing 31 counties from the I&M program.**
 - Considering the final 2015 EPA ozone standard, the latest air quality monitoring data and the latest mobile source emissions estimates.
 - Estimated to save North Carolina motorists approx. \$29 Million / Yr
- **Transitioning remaining 17 counties to biennial vehicle emissions inspections.**
 - Estimated to save North Carolina motorists approx. \$27.8 Million / Yr
- **Inspecting only the most recent 20 model year vehicles.**



Inspection & Maintenance Air Pollution Control Account **RECOMMENDATIONS**

- Due to the I&M program recommendations made, evolving business needs, and improved air quality, ***DAQ recommends that future I&M revenues be capped at \$2,000,000 beginning in SFY 2016-2017, along with a change in the funding flexibility. This represents a \$1,000,000 reduction relative to SFY 2015-2016.***



Inspection & Maintenance Air Pollution Control Account **RECOMMENDATIONS**

- ***DAQ recommends that additional flexibility be allowed in how funds can be used to support the air quality program from the I&M program inspection fee receipts.***

The present arrangement of placing I&M fees into the highway fund account for ease of distribution to the DAQ seems reasonably efficient. However, a change to allow broader support of the air quality program will allow additional operational efficiencies. ***The DAQ recommends the following changes to G.S. §143-215.3A(b1):***

The I & M Air Pollution Control Account is established as a nonreverting account within the Department. Fees transferred to the Division of Air Quality of the Department pursuant to G.S. 20-183.7(c) shall be credited to the I & M Air Pollution Control Account and shall be applied to ~~the costs of developing and implementing an air pollution control program for mobile sources~~ administering the air quality program.



Thank You

Questions?

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